

Committee report

| | |
|-----------|--|
| Committee | CABINET |
| Date | 10 SEPTEMBER 2013 |
| Title | ENDORSEMENT FOR ENERGY COMPANIES OBLIGATION (ECO) SCHEMES THROUGH ECO CODE OF CONDUCT |
| Report of | CABINET MEMBER FOR SUSTAINABILITY |

EXECUTIVE SUMMARY

1. The Energy Companies Obligation (ECO) is a requirement on major energy providers to fund energy efficiency improvements in domestic properties. The energy companies will decide how best to deliver their obligations and it is not guaranteed that all parts of the country will benefit from ECO funding. It is recognised that support from a local authority benefits scheme delivery, primarily through giving local residents confidence in the schemes on offer, and therefore makes it more likely that schemes will be delivered in their area. This paper considers how the Council can best encourage and support ECO schemes on the Island and recommends an ECO Code of Conduct as a means of determining high quality schemes which are worthy of support.
2. ECO activity will provide significant benefit to residents through improving the energy efficiency of their properties and, consequently reducing their fuel bills. It will also help to reduce carbon emissions, tackle fuel poverty and provide a local opportunity for the supply chain, principally home energy assessors / surveyors and installers. The Code of Conduct is recommended as the best method for encouraging maximum ECO activity.

BACKGROUND

3. National Government has set stringent targets for reducing greenhouse gas emissions from domestic properties and for the alleviation of fuel poverty. In recent years, financial assistance to householders to achieve these aims has shifted from direct government grants to licence obligations on fuel utilities. The Energy Companies Obligation (ECO) is the principal means of funding domestic energy efficiency works. ECO places obligations on larger domestic energy suppliers (those with 250,000 or more domestic customers) to reduce carbon emissions and provide affordable warmth. These obligations must be achieved through the promotion of energy efficiency measures to domestic energy users in Great Britain. ECO is intended to work alongside the Green Deal (a national scheme which provides funding to householders for energy efficiency schemes) to provide additional support in the domestic sector, with a particular focus on vulnerable consumer groups and hard-to-treat homes. The Scheme commenced on 1st January 2013 and full, detailed guidance on the delivery of ECO was published by Ofgem in May 2013 (The detailed guidance can be found at

[http://www.ofgem.gov.uk/Sustainability/Environment/ECO/guidance/Documents1/Energy%20Companies%20Obligation%20\(ECO\)%20Guidance%20for%20Suppliers%20-%202015%20March.pdf](http://www.ofgem.gov.uk/Sustainability/Environment/ECO/guidance/Documents1/Energy%20Companies%20Obligation%20(ECO)%20Guidance%20for%20Suppliers%20-%202015%20March.pdf). The first phases of ECO, covered by the guidance, will run until March 2015, although there are likely to be further phases beyond then. Energy suppliers will determine how best to achieve their ECO obligations and are likely to focus on doing so at least cost. This means that they are likely to concentrate delivery of their schemes in areas where there are fewest barriers.

4. ECO differs from previous scheme in both the extent of measures available and specific targeting of these measures. This is realised through the establishment of three distinct obligations:
 - a) Carbon Emissions Reduction Obligation (CERO): promotes the installation of solid wall and hard-to-treat cavity wall insulation alongside packages of measures.
 - b) Carbon Savings Community Obligation (CSCO): promotes the installation of insulating measures and connections to district heating systems in areas of low income and rural areas.
 - c) Home Heating Cost Reduction Obligation (HHCRO): promotes the installation of measures, including the repair and replacement of boilers, to homes in receipt of certain benefits, to reduce the overall cost of space heating.
5. ECO Schemes targets domestic premises, whether owner-occupied, rented from a private landlord or rented from a social landlord. There are targets for rural areas, areas in the lowest rankings of the Index of Multiple Deprivation (IMD) and solid wall properties. The measures that can be installed include insulation, double glazing, heating systems and micro-generation. A full list, by obligation type, is shown in Appendix 1.
6. ECO Schemes will be delivered either by fuel suppliers directly or by third parties which have negotiated access to fuel suppliers' ECO funds. Delivery of schemes is tightly governed by regulations and overseen by Ofgem. Measures installed must be recommended by an accredited Green Deal Assessor or Building Surveyor and installed according to the requirements of PAS2030 or building regulations. Installers must also demonstrate their technical ability to install measures, PAS2030 accreditation being the most common standard.
7. Agencies with experience of delivering energy efficiency programmes on the ground state that the support of local Councils is of great importance for their successful delivery. This endorsement gives residents assurances that schemes have been adequately checked and that the delivery agents are bona fide. Because many of the ECO measures will be installed free of charge to the householder, it also gives assurance that it is a genuine scheme with no catches.
8. The Council's Trading Standards Department operates 'Buy with Confidence', an accreditation scheme which checks the trading practices and customer service procedures of applicants. Businesses which meet the criteria and agree to abide by the code of practice are accepted onto the scheme. Members are authorised to use the Buy with Confidence logo. The popularity of the scheme suggests that it is a very useful tool for providing confidence to residents about traders they might wish to engage.

9. Buy with Confidence alone is not adequate for the purposes of ECO scheme endorsement . A more comprehensive ECO Code of Conduct has therefore been developed as a means of identifying high quality schemes and protecting the Council if schemes it chooses to endorse do not deliver the quality of service expected.

STRATEGIC CONTEXT

10. Eco Island is the Isle of Wight's Sustainable Community Strategy. The delivery of ECO schemes on the Island will support the Eco Island aim of reducing carbon emissions ('Thriving Island') so that, by 2020, the Island has the lowest per capita carbon emissions of any local authority area in England. By reducing energy demand it will also contribute to greater security of energy supplies.
11. It is likely that ECO will lead to local job creation in the marketing, assessment and installation phases. This will support the 'Thriving Island' theme of Eco Island and also the current Corporate Plan priority for regeneration and economic development.
12. Many ECO installations will be targeted at low income households and will be installed at no cost to the householder. This should reduce fuel poverty on the Island, contributing to the "Healthy and Supportive Island" theme of Eco Island and also the improvement in housing conditions, which is a priority within the Corporate Plan.
13. The Island Independent Group's "Framework for Change" prioritises action to prevent climate change and to become more self-sufficient in energy supplies under the Sustainability theme. ECO scheme implementation contributes to both of these. Framework for Change also states that the Council will *"work with and bring together eco and non-eco organisations and community interest groups to facilitate projects that benefit communities"*. The proposal outlined in this document will promote such partnership working.

CONSULTATION

14. Internally, there has been consultation with Housing and Trading Standards. This has provided input into the Code requirements and also led to the suggestion of the three service areas – sustainability, housing and trading standards – being responsible for evaluating Code applications.
15. There has been consultation with energy providers – principally E.ON and Scottish Power – about approaches to delivery of ECO. This made it clear that area-based schemes would have to be large enough to justify the investment. Discussions with a large, third party delivery agency, Climate Energy, has confirmed the importance of local authority endorsement for the success of energy efficiency schemes and its willingness to comply with Council requirements.
16. Consultation with local voluntary sector organisations, principally the Footprint Trust which works on energy efficiency and fuel poverty, has highlighted the importance of high quality schemes which have a focus on customer care.
17. On-going discussions with the Isle of Wight College and local businesses has confirmed the willingness of local firms to improve and increase skills and seek accreditation so that they can participate in ECO delivery. This will drive the employment and local economic benefits.

FINANCIAL / BUDGET IMPLICATIONS

18. The proposed scheme will offer Council endorsement to high quality schemes, but will not make any financial commitments to support schemes. Where appropriate the Council may use its communication channels (e.g. The Vine) to promote the opportunities available, but it is not expected that any budgets will be available to support marketing or any other aspect of scheme delivery.
19. There is some cost in staff time to consider Code applications, deal with householder enquiries and monitor delivery and an application fee will be charged to cover the costs of administering applications.
20. The financial benefits of ECO will be realised by residents. Because of the complexity of some of the measures, it is quite possible that households will receive energy efficiency packages worth in excess of £10,000, with no financial contribution required from the householder.

CARBON EMISSIONS

21. The proposal will have no impact on the Council's carbon emissions and will not lead to any requirement for additional carbon allowances. Implementation of ECO schemes on the Island are expected to have a significant impact on the Island's total carbon emissions as they are aimed, primarily, at energy efficiency installations in homes.

LEGAL IMPLICATIONS

22. There is no statutory requirement on the Council to support or endorse any ECO scheme. However, ECO is a government energy efficiency scheme for Great Britain which has replaced the Carbon Emissions Reduction Target (CERT) and Community Energy Saving Programme (CESP), both of which came to a close at the end of 2012.
23. The powers of the Secretary of State to create a new energy efficiency obligation are set out in Chapter 4 of Part 1 of the Energy Act 2011.
24. ECO is implemented by the Electricity and Gas (Energy Companies Obligation) Order 2012 (SI 2012/3018) (ECO Order 2012), which came into force on 5 December 2012
25. The guidance referred to in paragraph 4 is intended for the suppliers of energy who are required to comply with ECO accordingly there is no obligation for the council to have regard to it in making a decision to adopt a code of practice, it may however be helpful in providing context to the proposal.

EQUALITY AND DIVERSITY

26. The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

27. Following a full Equality Impact Assessment, the proposal was judged to have no impact on the majority of protected groups and a positive impact with regards to age, disability and pregnancy and maternity. This is because these groups are targeted under ECO eligibility criteria or are more likely to benefit because of the eligibility criteria.
28. Regardless of this, the ECO Code of Conduct has numerous requirements to protect the well-being of customers and prevent mis-selling. There is also a requirement on ECO Providers to give the Council summaries of customer feedback and formal complaints so that equality impacts can be continually monitored.
29. The Full EIA is attached as Appendix 3.

PROPERTY IMPLICATIONS

30. There are no property implications.

SECTION 17 CRIME AND DISORDER ACT 1998

31. ECO delivery will require assessors and installers to visit people in their homes and, in many cases, to carry out work. There are some personal safety issues arising from this and the Code of Conduct states that "It is a requirement of the Code that all employees calling on and working in resident's homes undertake a declaration of criminal offences from, the details of which are retained by the contractor. The provider shall ensure that where an employee discloses a conviction(s) that a written risk assessment is undertaken to determine whether it is appropriate for that employee to call on or work in resident's homes. In every case whilst assessing disclosed information the individual facts will be considered against the overriding need to protect the public and their property. Rehabilitation periods will be governed by the Rehabilitation of Offenders Act and will be applied, being mindful that the activities undertaken are not classified as "restricted" as defined by the act and therefore spent convictions may not be declared. Consideration will be given to all circumstances surrounding the offence and other relevant factors e.g. length of time since the conviction, nature and seriousness of the offence, age at the time of the offence and any provocation or extenuating circumstances.

OPTIONS

32. There are 3 options for consideration by Cabinet:

Option 1: No action – ECO providers offer schemes to Island householders without Council endorsement.

Option 2: Undertake an expression of interest process to approve a single partner to deliver ECO.

Option 3: Approve the adoption of an Eco Code of Conduct – the Council will endorse high quality ECO schemes which meet the requirements of the Code.

RISK MANAGEMENT

33. The principal risks are associated with achieving maximum ECO activity on the Island whilst safeguarding residents from inappropriate practices.

34. ECO is the main policy approach for reducing domestic carbon emissions and tackling fuel poverty for the foreseeable future. For those in qualifying low income brackets or hard-to-treat properties, the measures will be delivered free of charge. For other households that are expected to take advantage of the Green Deal for energy efficiency improvements, ECO may offer a financial contribution. Because of the important contribution of ECO to the Council's strategic objectives, encouraging maximum ECO activity is of importance. There is a clear message from the industry that Councils have an important role to play in promoting activity through giving local residents confidence in schemes that are offered to them, by endorsing the methods of delivery and continuing to monitor activity to ensure that it offers customer care.
35. If the Council chooses to endorse one or more scheme, to mitigate the risk outlined above, the second risk is that the schemes fail to deliver good customer care and leave residents disappointed with the service offered. The ECO Code of Conduct has been designed to minimise this risk and draws heavily on the experience of Trading Standard's Buy with Confidence scheme that gives accreditation to bona fide local traders. It covers pressure selling, pricing, cold calling, information for householders, compliance with legislation and the safety and well-being of customers. It also requires Providers to give feedback forms to customers and report the results of these, along with the results of any formal complaints, to the Council. Ultimately, the Code allows the Council to withdraw its endorsement from any schemes that fail to comply with the Code during delivery.

EVALUATION

36. If the Council chooses to take no action, it is possible that ECO schemes will still be available to Island households. Major fuel utilities may offer ECO improvements to individual households, although it is more likely that schemes will be delivered on an area-wide basis, with the consequent economies of scale that can be achieved. It has been made clear that area-based schemes will be much more successful if they have local Council endorsement and it is therefore possible that providers will choose to concentrate their efforts where this will be provided. If there is little or no ECO activity on the Island, householders will miss the opportunity to benefit from the significant investment involved, the local supply chain will have limited opportunities to get involved in delivery and the Island will not achieve the level of domestic carbon reduction that is desired.
37. The Council could choose to select a partner for ECO scheme delivery through an Expression of Interest process, open to any fuel utility or third party that has access to significant ECO funding. A similar approach was used for the Island Insulation Scheme, with E.ON selected as the delivery partner to offer a limited range of insulation measures. This option would provide clarity to residents since the Council would be offering exclusive endorsement to the partner. However, ECO is expected to be a fairly dynamic scheme, with the range of measures on offer and the financial support available, changing over time as providers change their strategy in order to achieve the carbon saving obligation. An example may be micro-generation systems (small renewable energy systems for buildings), which are not a major part of schemes in the early stages, but may become more widely available as schemes develop. By establishing a single company partnership, the ability to adapt schemes may be limited and the offer limited to what the partner has agreed to offer at the outset. In addition, it could take up to 4 months to select an ECO partner, meaning that half of the 2013/14 heating season will have been missed and there will be only 14 months left for delivery.

38. The third option has been designed to give maximum choice to residents whilst offering sufficient safeguards. The ECO Code of Conduct is a means by which the Council can endorse any high quality ECO scheme which offers improvements that are of real benefit to householders, whilst, at the same time, providing sufficient levels of customer care. Any provider that wishes to deliver an ECO scheme with Council support must complete a detailed questionnaire and evidence pack which will be judged by Council officers. Once a scheme has been endorsed by the Council, Providers will be expected to continue to comply with the requirements of the Code and failure to do so can result in the immediate removal of council endorsement. This approach will provide maximum benefit to householders, since they can be reassured that the Council has checked the delivery methodology and will continue to monitor provider performance. It will also promote flexibility and innovation, since the measures that can be offered can evolve, as long as the high levels of customer care remain. With high levels of ECO activity, the opportunities for the local supply chain are maximised and the carbon reduction outcome will be greatest. The ECO Code of Conduct can be rolled out immediately with the first schemes taking full advantage of the 2013/14 heating season when households are most open to energy efficiency schemes. Whilst there is a danger that customers may be confused if a range of schemes are on offer, it is unlikely that a significant number of Providers will choose to compete in a small area. Those with a unique or particularly innovative solution may be more likely to enter the market and this will further enhance the benefits to residents.

RECOMMENDATION

39. It is recommended that Cabinet approve the use of the ECO Code of Conduct as a means of determining those ECO schemes which can be awarded Council endorsement (Option 3).
40. It is also recommended that Cabinet approve the application fee of £500.

APPENDICES ATTACHED

41. [APPENDIX 1](#) – ECO Measures
- [APPENDIX 2](#) – ECO Code of Conduct
- [APPENDIX 3](#) – Equality Impact Assessment (Full)

Contact Point: Jim Fawcett, Principal Officer (Low Carbon Projects)
☎ 821000 x6302, e-mail jim.fawcett@iow.gov.uk

STUART LOVE
Director of Economy and Environment

COUNCILLOR LUISA HILLARD
Cabinet Member for Sustainability